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NSC BRIEFING

26 June 1956

THE ICELANDIC ELECTION OF 24 JUNE

1. No party or electoral alliance won an absolute parliamentary majority in the Icelandic elections of 24 June, but the marked gains of the Progressive-Social Democratic alliance, which campaigned against the Keflavik base, will probably encourage it to attempt a minority government if a coalition with the Conservatives proves impossible. Any new government is committed to seek revisions of the 1951 defense agreement with the United States in the talks commencing 1 August; but there are indications that the Progressive-Social Democratic alliance may moderate its position before that date.
2. Fairly complete election returns give the following results:

	<u>1956 elections</u>		<u>1953 elections</u>	
	Seats	% of popular vote	Seats	% of popular vote
Conservatives	19	42.4	21	37.1
Progressives	17	15.6	16	21.9
Social Democrats	8	18.3	6	15.6
National Defense Party	0	4.5	2	6.0
Labor Alliance (Communists & leftwing Social Democrats)	8	19.2	7 (Communist vote only)	16.1

Some vindication of the Conservatives' moderate stand on the base issue is to be found in the marked increase in their share of the popular vote.

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3. Herman Janasson, chairman of the Progressive party, is likely to achieve his ambition to become prime minister--at least of a minority government if negotiations for a coalition with the Conservatives are unsuccessful. Such a minority government would have to depend on either Conservative or Communist support on various issues.
4. Any new government is committed to seek revision of the 1951 Defense Agreement with the United States in talks commencing 1 August. (See Appendix A: Background on the Keflavik Base Situation). The scope and nature of the changes sought will depend largely on the character of the government formed before that date, but also on the extent to which all the non-Communist parties--with the election campaign over--may now adopt a more moderate and realistic attitude toward the base. A post-election statement by Foreign Minister Gudmundsson of the Progressive party contains hints of a more moderate attitude.
5. Actually, the most serious problem facing a new government is Iceland's growing economic difficulties, which were overshadowed in the campaign period by the base issue. Over the past several years, the country has suffered considerable inflation and a growing trade deficit with the free world which would have been even more serious had it not been for the base's dollar revenues. Concurrently, there has been an increasing dependence on trade with the USSR, which in 1955 replaced the United States as Iceland's chief market. Both Ambassador Muccio

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and the Dutch ambassador have commented in recent weeks that unless alternative markets were developed, this economic dependence on the bloc might continue increasing and could eventually bring ominous political developments. (See Appendix B: Iceland's Economic Position)